

Buying a Home Made Easy – Part 1

Buying a home can either be great experience or a stressful one. It is best to be prepared for a home ownership experience, and the best way to do that is by doing some pre- and post-planning. Also, there are a multitude of loan programs available, so no matter your monthly income, if you are interested in purchasing a home, see a lender to determine if you qualify. Below are some key items to consider and recommendations on how to buy a home—the easy way!

1. Is home ownership right for you?

In our current market, many can buy a home for what they are paying in rent and unlike rent, a mortgage payment builds equity in property that could appreciate over the long term—long term being the key.

If you can't commit to remaining in one place for at least a few years, then owning may not be for you (at least not yet) due to the transaction costs of buying and selling a home, which means you may end up losing money if you sell soon after your purchase. With our inventory, low interest rates, and the price reductions we have seen over the last few years, it is a great time to buy though if the timing and your financial situation allows.

Purchasing a home can provide financial security due to capital appreciation if housing prices rise and offers stability in having a place of your own. Although, along with home ownership comes financial responsibility and potential stress; therefore, it is important to understand what home ownership involves.

2. Research general home-buying information and determine how a purchase will affect your taxes.

Some websites with helpful information on home-buying include: www.fanniemae.com, www.freddiemac.com, www.hud.gov/buying, and www.yourhome.ca.gov/purchasing.shtml.

The basic guideline is that you shouldn't spend more than two and a half times your annual household income on a home. Although, I'd recommend not spending up to the total amount you qualify for as this leaves you with little to no cushion for other things in life that may come up.

It is considered wise to have enough in savings to cover your mortgage payments and other expenses for at least three to five months in case an unforeseeable event takes place.

You should take into account all your expenses and debts to determine what monthly payment you can afford and whether or not you can afford a home purchase.

There are many tax benefits to owning a home; however, you should check with a tax professional or accountant to make sure you understand them. It is best to know the effects on your taxes and budget before you buy a home. Tax laws change frequently, so checking with a tax professional is a good idea. To view local tax professionals, visit our website at: <http://ygaor.com/affiliates.php?c=27>.

3. Before house hunting, get pre-approved and discuss costs.

Don't confuse pre-approval with pre-qualification. Pre-qualification is based on a cursory review of your finances, whereas pre-approval from a lender is based on your actual income, debt, and credit history. Getting pre-approved will save you a lot of frustration and wasted time by preventing you from looking at houses you can't afford. This also puts you in a better position to make a serious offer when you do find the right house.

It's prudent to compare lenders' loan rates and fees, and doing so can take weeks and sometimes months, especially if your credit needs to be corrected or improved prior to getting a loan. A lender can also assist you in determining what you can do to improve your credit rating, if needed.

Don't get discouraged if one lender turns you down for a loan. I've had clients who spoke with three lenders before they found one who could find a loan product that was right for their situation. In fact, they purchased a home this past summer due to their not-giving-up attitude and their persistent lender.

The information you receive from your lender will help your real estate agent better assist you in your home purchase. This is a complex process; however, with the right tools, such as the lender pre-approval letter, the process should be much smoother. For local lenders, I encourage you to check out our website for a list of local lenders: <http://ygaor.com/affiliates.php?c=6>.

4. Identifying where you want to live and create a priority list.

Before selecting an agent to work with (unless you need his or her help with this), you have to first narrow your search by pinpointing the community or area where you want to live. You may need to do this prior to your lender pre-approval (see above) as some loan values/limits are determined by the county in which you plan to purchase your home.

Your next home should fit the way you live with spaces and features that appeal to you and your entire family. Thus, decide on the options you would like in your new home by making a list of must-haves and wants both now and in the future, including the number of bedrooms and baths, square footage, and garage and yard requirements. Then, prioritize what's most important.

5. Hire a competent, compassionate, and hard-working REALTOR®.

No one will play a more important role in helping you find a home than your real estate agent. Your agent will essentially save you time, trouble, and money. The best agent for you is an experienced professional who will listen to you, answer your questions, behave ethically, knows your market, and is dedicated to the profession. The best agent for you doesn't necessarily work at the largest brokerage, close the most transactions, or make the most money.

You should feel comfortable with your agent since he or she will help you with the overall house-purchasing process including strategies when making an offer through the closing of escrow. You can speak to your agent at any point whether it is before your pre-approval or after. However, this is the critical time to do so.

I can't stress the importance of finding an agent that knows and understands the legal documents involved in a home transaction as well as making sure they are aware of items specific to our mountain area (such as water and septic guidelines, property corner and propane issues, and local service providers they can recommend) and the community where you plan to purchase a home.

Ask your friends, relatives, and acquaintances for a referral based on their experiences with their agent. Was the agent easy to work with? Was the agent responsive to their needs? Would they use the agent again? You can also search online and look up profiles of individual agents at offices near you. Look for customer testimonials.

Part Two will continue with 6) Find a home, 7) What happens during escrow, and 8) After the sale.

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